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H.R. 3617 Fails to Address Underlying Problems with Physician Reimbursement

WASHINGTON

— At today's Health Subcommittee hearing on the HR 3617, Ranking Democrat Pete Stark (D-CA, 13th) called for additional work on the physician payment system and announced support for targeted relief. Following is his statement:

"This is our fourth hearing this year on Medicare's physician payment system, yet we have ignored the underlying issues that have led us to this point. The Administration, the majority and organized medicine all knew full well that the temporary increases in the Medicare Modernization Act would exacerbate the so-called cliff we now face. Yet virtually nothing has been done to craft a solution.

"Instead, organized medicine and many in Congress have proposed to simply repeal the SGR, with little discussion about what should replace it. I am not going to defend the SGR, but in my view, simply repealing it is not an option. Dr. McClellan testified in July that doing so would cost more than \$180 billion/10 years.

"People are positively enchanted by, if not obsessed with, the notion of pay-for-performance. Done properly, these concepts show some promise, but we must first or simultaneously require broad IT adoption.

Even then, we are years (perhaps decades) from a fully functioning system with meaningful physician-level data. Indeed, we should learn from the CMS demonstrations on pay-for-performance for hospitals and physicians. When these programs mature and are evaluated, we'll have a better idea of whether and how to expand this model.

“Our rush to embrace this latest fad has diverted our attention from more important underlying problems. As Dr. Berenson will discuss today, there are a number of underlying issues in Medicare’s physician reimbursement system that need to be addressed, including problems with the R-V-S Utilization Committee process, coding issues, and perverse incentives that lead to waste.

“The bottom line is that this critical component of fee-for-service Medicare has been largely ignored. Unfortunately, the current system allows abusive providers to profit, while prudent providers pay the price in terms of reduced fees.

“Let’s also keep in mind that physician increases lead to premium increases, unless we act to prevent it. This year, beneficiaries faced a record-high increase. And next year, the increase is significant. It could be pushed to a new record if we increase fees this year. We need to protect premiums. On this, surprisingly, AARP and I agree.

“Finally, I want to remind everyone – again -- that increased physician spending will move us more quickly toward the arbitrary 45% cap on Medicare’s general revenue support. This hidden hatchet is pernicious, and ought to be repealed.

“I am willing to support a two-year override of the planned cuts, provided it is coupled with concrete steps to create a new update mechanism – focusing perhaps on geographic and specialty-specific targets -- and to explore underlying problems in the system.

“In the meantime, we should start with P4P in the private plans, as MedPAC has recommended. The plans collect the data, and claim they deliver high-quality care. Let’s hold them accountable. As they say, you have to walk before you can run. And we aren’t even crawling yet.”